Department of Veterans Affairs **VHA HANDBOOK 1761.2**
Veterans Health Administration **Transmittal Sheet**
Washington, DC 20420 **October 26, 2000**

VHA INVENTORY MANAGEMENT

1. **REASON FOR ISSUE:** This Veterans Health Administration (VHA) Handbook provides guidance to VA Medical Centers (VAMCs) to eliminate excess and unofficial supply inventories; mandates the use of the Generic Inventory Package (GIP) or its successor system to manage all inventories; establishes procedures to monitor progress in reducing inventories and ensuring inventory reduction goals are met; and provides structure for inventory staff training.

2. **SUMMARY OF CONTENTS**

This Handbook specifies the responsibilities for Logistics staff at all levels in the implementation of new procedures in VHA inventory management in order to eliminate excess supply inventories.

3. **RELATED DIRECTIVE:** VHA Directive to be published.

4. **RESPONSIBLE OFFICE:** VHA Office of Logistics (176). Questions are to be addressed to 202-273-5680.

6. **RECERTIFICATION:** This document is scheduled for recertification on or before the last working day of October 2005.

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Under Secretary for Health

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FD

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DEPARTMENT OF
VETERANS AFFAIRS

VHA HANDBOOK 1761.2
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Veterans Health Administration
Office of Logistics
Washington, DC 20420

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1. PURPOSE

This Veterans Health Administration (VHA) Handbook provides guidance to VA Medical Centers (VAMCs) to eliminate excess and unofficial supply inventories; mandates the use of the Generic Inventory Package (GIP) or its successor system to manage all inventories; establishes procedures to monitor progress in reducing inventories and ensuring inventory reduction goals are met; and provides structure for inventory staff training. ***Note:*** *Exceptions to this requirement include Prosthetics Service supplies for direct issue to beneficiaries, subsistence items in Nutrition and Food Service, and pharmaceuticals in Pharmacy Service.*

2. BACKGROUND

a. The Office of Inspector General (OIG) has performed several audits of VHA Medical Center Inventory Management programs since 1995. One such audit projected as much as $175 million excess medical supply inventory on hand. Another audit projected $31.4 million in excess prosthetics inventories. The most recent audits of Medical/Surgical, Pharmacy, Prosthetics and Engineering supplies have consistently resulted in the same basic recommendations:

(1) Issue guidance requiring VAMCs to eliminate excess supply inventories.

(2) Use the Generic Inventory Package (GIP) or its successor system to manage all inventories.

(3) Establish goals and procedures to monitor progress in reducing inventories.

(4) Provide VAMC staff training on inventory management principles and techniques and on the use of automation for inventory management.

b. During the same time period, VHA established a national Standardization Program to facilitate best value product pricing through volume purchasing, and to facilitate the delivery of high-quality health care. In June 1999, the Under Secretary for Health issued VHA Directive 99-024, Standardization of Supplies and Equipment, which mandated the use of nationally standardized items and charged the VHA Chief Financial Officer (CFO) to establish appropriate User Groups for the purpose of identifying items for standardization. This process quickly highlighted the fact that the VHA database contains inaccuracies and does not effectively support the standardization program. An example of this problem is reflected by the comparison of data from our national Integrated Funds Distribution, Control Point Activity, Accounting, and Procurement (IFCAP) database to data from one vendor for three line items procured during the 1st quarter of FY 2000. Data from IFCAP records indicated that VHA spent $662,162 for disposable gloves. But a report from the vendor for actual filled orders during that same time period showed that VHA spent $1,629,908 for those same three line items.

c. Experience at many progressive VA facilities shows the following benefits of managing unofficial inventories using GIP:

(1) Fewer stock outages by automating the replenishment process.

(2) Technical and patient care staff do not have to be involved in inventory control or budget maintenance.

(3) Specific cost information is available to the product line manager for each functional area.

(4) Specific usage information is available to the product line manager for each functional area.

(5) Inventories are reduced and holding costs are lowered.

(6) There are fewer costly emergency procurements.

(7) There are fewer outdated items.

d. Additionally, there are several potential VISN benefits from consistent use of GIP:

(1) Ability to track costs for product lines.

(2) Easier to identify training needs and target audiences.

(3) Allows for common data reporting elements.

(4) Allows for uniform policies to be developed for all facilities.

(5) Provides a platform for enhanced communication and shared goals.

e. Finally, VA is embarked on replacing its core automated financial and logistics management systems (Core FLS). The VA Assistant Secretary for Finance has developed an aggressive timetable for acquisition and implementation of this replacement system. The new system will draw historical and operating data from existing VA automated systems. Therefore, a national inventory management program that will assure consistent, accurate data in a populated database is necessary to assure a smooth conversion.

f. This Handbook responds to these needs and establishes a common standard for all VHA inventory management programs.

3. SCOPE

a. VHA is establishing goals for reducing inventory levels, with a 30-day level and mandatory use of GIP or its successor system as the initial goal to manage all inventories. All recurring stock items funded as operating supplies must be in the Item Master File (IMF) and all purchase transactions will reflect the IMF number. This will allow for a consistent inventory system and common source for data to support the VHA Standardization Program; National Procurement

History File; feed actual cost of supplies into Decision Support System (DSS), and fully automate the management of all unofficial inventories.

b. This handbook addresses "best practices" for the primary functional areas of inventory management, including: Acquisition, Funds Control, Performance Measures, Training and Customer Service expectations. ***Note:*** *Each VISN will prepare an implementation plan within 45 days from the date of this handbook to address the responsibilities and programs as delineated herein.*

4. RESPONSIBILITIES

All employees are responsible for optimizing use of VA resources. Specific responsibilities of Logistics professionals include the following:

a. **VHA Office of Logistics (176)**. Provides ongoing logistics liaison support between the Networks, VHA Headquarters and Office of Acquisitions and Materiel Management (OA&MM). It is responsible for providing guidance to all VHA facilities, in all areas of logistics, including: issuing implementation regulations, monitoring compliance with directives, collecting and reporting usage/cost data, and forming strategies to improve logistics operations.

b. **VISN Chief Logistics Officer (CLO)**. Represents the VISN Director on all matters related to Logistics; facilitates communications between field organizations, VISN's and Headquarters; responsible for developing and implementing network strategies to improve logistics programs; facilitates sound business practices; assists with formulation of VHA logistics policies and procedures; manages logistics data; assesses inventory management programs at each facility; provides guidance to local logistics managers; works with clinical groups to improve their understanding of logistics goals and works with VISN Chief Financial Officer (CFO) to improve cost control/reporting efforts.

c. **Field Facility Logistics Manager**. Develops and maintains a logistics program that helps improve utilization of supplies/commodities; reduces inventory investment; assures compliance with standardization; improves understanding of inventory management objectives and techniques; works with the facility CFO to establish fund control parameters; provides education and training opportunities to inventory staff.

d. **Facility Logistics Staff**. Establishes and maintained automated inventories; works with consumers to gain understanding of their needs; sets up automated inventories through use of GIP or successor program; monitors supply/commodity consumption and stock replacement; provides usage/cost reports to the consumer, Logistics Manager, CLO, etc.; continually assesses needs of the consumer.

5. REQUIREMENTS

a. **IFCAP.** The inventory management program utilized by VA consists of IFCAP and GIP. The IFCAP inventory system is used to manage the receipt, distribution, and stock maintenance of items received from the supply warehouse and/or outside vendors. IFCAP provides information on supplies, equipment, vendors, procurement history, and control point activity.

b. **GIP.** GIP is a portion of IFCAP used to manage inventory within using areas. GIP consists of primary inventories and secondary inventories. The primary inventory is the main (such as Sterile Processing and Distribution (SPD)) inventory, and the secondary inventories are the points of distribution. Other types of primary inventories within the medical center include Warehouse, Dental, Laboratory, etc. Within GIP, the primary inventory consists of all items stocked and/or procured for that inventory account. Stock levels are established to maintain constant availability of items. These stock levels are:

(1) Normal Stock Level. Represents the largest amount of an item to be maintained in the inventory point.

(2) Standard Reorder Point Level. Represents the level at which the item is to be reordered.

(3) Optional Reorder Point Level. Alerts staff that the level of an item has fallen below the normal stock level but has not yet reached the standard reorder point level. This allows for inclusion of items very near their reorder point in upcoming purchases with the same vendor, thereby reducing separate purchases to the same vendor within short periods of time.

(4) Emergency Stock Level. Represents the smallest amount of an item to be maintained in the inventory point. This level alerts staff that an emergency purchase is required.

c. **Auto-Generation.** GIP has the ability to "auto generate" a list of items that need to be ordered. The computer program automatically reviews preset inventory levels against current amounts on hand and identifies those items below the preset levels so they may be requisitioned.

d. **Bar Code Labels.** Computerized bar code labels identify each item within the inventory. The supply technician uses a bar code reader to scan the label to identify the item and then enter the actual amount present. After scanning a secondary inventory, the information is uploaded into GIP, and a picking ticket is generated. The picking ticket identifies the items and amounts required to be restocked in that secondary to return to preset levels.

e. **Secondary Inventories.** All inventories maintained in user areas are called secondary inventories. Within GIP, secondary inventories are also maintained with stock levels and reorder points. Secondaries may be maintained by Logistics or the user. The normal stock level and the standard reorder point level should be the same in the secondaries. This assures that supplies are maintained at the established user requirement level.

f. **Reports,** Primary and secondary inventories are reviewed on a regular basis utilizing GIP-generated reports, including but not limited to:

(1) History of Distribution Report. Shows the total dollar amount of supplies distributed to each secondary. This information is useful in computing quarterly and annual budget reports and compiling a Cost Distribution Report (CDR).

(2) Inactive Item Report. Gives a list of items for a specific period of time that have been inactive, allowing a determination to be made as to whether or not item should continue to be stocked.

(3) Usage Demand Analysis Report. Used to evaluate item usage and show an increase/decrease in usage, thus indicating a need to change stock levels.

(4) Stock Status Report. Provides a summary of all issues, receipts and adjustments (quantity and dollar values) with the opening and closing balances by account codes. It will provide current data, and calculate the turnover rate, inactive item percent, long supply percent, and non-issuable percent.

Note: Overstocking and Understocking. *It is important to avoid overstocking and understocking in both the primary and secondaries. Overstocking ties up a considerable amount of money in stock and increases the risk of damage, outdating, contamination, or obsolescence of the item. Understocking creates the risk of unavailability of supplies, which affects the quality of patient care. It also creates additional purchase costs (overnight shipping) and adversely affects the trust users have in Logistics Staff.*

g. **Clean Rooms.** All clean and sterile storage areas will be designed to promote cleanliness, visibility, safety, and efficiency of distribution. The inventory should be verified on a regular basis for accuracy of inventory balances, outdated items, and damaged or obsolete items. The rotation of stock is vital to prevent unnecessary outdates and additional costs. ***Note:*** *Clean Rooms are subject to all of the requirements of VA Directive/Handbook 7176, SPD Operational Requirements.*

h. **Point-of-Use Equipment**. Point-of-Use (POU) equipment is an automatic dispensing system that provides secured storage of supplies close to where the supplies are used. Access to supplies is limited to employees who are provided passwords. The use of POU should be reviewed for use in areas with high cost and high volume to track actual costs to patient or procedure. These units may also have potential for remote clinics and areas where inventory managers are not assigned, such as Community Based Outpatient Clinics (CBOC). The POU equipment not only allows for tracking usage, but also reduces the consumption and loss of products.

i **DSS-Based Allocations**. Beginning in FY 2001, VHA funding allocations will be based on DSS data from each facility. It will be an important benefit to map supply costs in IFCAP to DSS by careful cost accounting practices to assure supplies are tracked to the correct clinical specialties by utilizing the proper Budget Object Code (BOC). It is critical for logisticians to maximize the use of data systems that will provide detailed, accurate information on supply costs to the lowest level possible. GIP is the primary tool that must be utilized to work towards this goal by using all available automation options within GIP. These include scanning secondary inventories for replenishment based on the stock levels indicated through the barcode scanning process, using auto-generated picking lists, and no manual entries of normal distribution orders. Inventory Managers will use the auto-generation option in GIP for generating orders to replenish primary inventories. These levels will automatically calculate the required quantities necessary to bring stock up to the established normal stock level.

6. PROGRAM IMPLEMENTATION

To implement this inventory management program, the following steps will be taken.

a. **Establish Network Communications**.

(1) Designate a lead logistics manager with responsibility for being the point of contact for the CLO for inventory management and standardization issues for the network.

(2) Designate a Field Facility Logistics Manager at each facility within the network.

(3) Identify all employees at each facility involved in the inventory management process, regardless where they are organizationally aligned.

(4) Create network-wide Outlook groups that include all of the above employees, entitled "Inventory Management VISN _".

(5) Schedule monthly network face-to-face, video or audio conferences.

b. **Implementation Plan**.

(1) The CLO is to coordinate the development of an Implementation Plan within 45 days after the effective date of this Handbook. Each Field Facility Logistics Manager is responsible for providing all of the information necessary for the CLO to develop a VISN-level plan.

(2) The plan must be submitted through the Network Director to the VHA Logistics Office (176). The VHA Logistics Office (176) has 30 days to approve and return the plan to the Network Director. Each Network Director will proceed with implementation upon receipt of the approved plan. Implementations are to be completed within 12 months.

(3) When preparing the plan the CLO should conduct an assessment of logistics functions at each Network facility, and should include at a minimum:

(a) Training Assessment.

1. Develop individual station training plan based on each facility's baseline analysis and assessment of need.

2. Set dates, training location(s), and agenda for VISN face-to-face GIP training schedule based on individual stations needs.

(b) Phasing. Phasing and time frames by site and activity.

(c) Resources Needed. Include resources required for implementation, i.e., IT equipment, scanners etc.

(4) Existing GIP Inventory Accounts. Identify baseline achievement levels at each facility within the VISN and target potential new accounts, to include the following areas at a minimum:

(a) Medical/Surgical includes (OR, Clinics, Wards, Cardiac Catherization Lab, Anesthesia etc.).

(b) Dental.

(c) Laboratory.

(d) Imaging.

(e) Environmental Management Service.

(f) Engineering.

(5) Data Collection. Establish baseline achievement levels and target new accounts by collecting data as follows:

(a) Using the attached sample formats (see Attachments A1-A5), survey each facility in your network to establish a baseline level that will be used to measure improvement toward GIP goals for both medical centers and VISN.

(b) Using the attached sample format (see Attachment B), develop a plan to implement GIP to the maximum extent possible at each medical center.

(c) In coordination with the Facility Fiscal Officer, each Field Facility Logistics Manager will identify a list of Fund Control Points (FCP) that contain operating supply costs that represent unofficial inventories to be automated using GIP. Using the IFCAP 830 Report, analyze each of the FCP's to determine the annual dollars expended to purchase recurring operating supplies for that department. Exclude Services, Fee Basis, and Leases that cannot be entered into the GIP primary. For each FCP, fill in the spreadsheet (see Attachment B) to identify the name of department, potential sales, GIP implementation date, barriers identified and current status. Your plan should include a phase-in approach to be completed within 12 months.

(d) In order to assure existing GIP accounts are accurate, it is recommended that a 10% sampling of line items is verified by physical count and compared to existing data.

(6) Staffing Levels. Staffing levels should be evaluated to determine adequate requirements for complying with this handbook. Levels are primarily driven by the budget expended for supplies and the degree of inventory management. The staffing mix may vary from facility-to-facility, but should be consistent with the VISN logistics plan. The CLO should be involved with planning staffing needs.

(7) Reporting Channels. Each facility must have a hierarchy through which GIP plans are formed, implemented and results reported up through the chain of command. The Field Facility Logistics Manager will be responsible for collecting information, responding to surveys, submitting nominations for training, serving as point-of-contact for IG inquiries, visits by the CLO, etc.

(8) Commodity Standards Committee. Communication and coordination are key elements for effective implementation of the VHA standardization program. Each network must include these elements in their Inventory Management Implementation Plan. The Commodity Standards Committee is an appropriate group through which communications can be affected. There must be a facility Commodity Standards Committee and may also be a VISN-level committee. It is critical that the Commodity Standards Committee includes clinical representatives. Use suggested membership from VA Handbook 7176, Supply, Processing and Distribution (SPD) Operational Requirements. The Field Facility Logistics Manager is responsible for distribution of standardization user group plans, minutes, notices of standardization, changes in policy/guidelines, etc., to Commodity Standards Committee members.

(9) Physical Space Planning. The plans for establishing individual inventory sites must include careful consideration of space, climate controls, availability of shelving, frequency of users accessing inventory, etc. The inventory manager must consider the products being stored, grouping of products used for a particular procedure/process, security required, criticality of the product, availability from vendors/manufacturers, etc. Successful implementation is dependent upon this analysis. Failure to plan layout of the storage site will result in wasted effort and increases the potential for product loss and increases the frustration level of the customer. Spend time at the customer work-site before attempting to establish the inventory.

(10) Customer Service Expectations. Assure that the following Customer Service Expectations are addressed:

(a) Timeliness.

(b) Quality – Acceptable features for intended purpose.

(c) Cost – Product and Time requirements.

(d) Education.

(e) Availability – Right place, right time.

(f) Responsiveness.

(g) Industry Relationships.

(h) Ongoing communications and customer involvement.

(i) Trust.

(11) Miscellaneous items to be considered when writing your implementation plan:

(a) Technical Issues. Purchasing practices, Prosthetics Inventory Package, Basic Inventory Management Concepts, distribution of products.

(b) Management/Administrative Issues. Union Contracts, Human Resource Functions, Performance Standards, Customer Relations and new initiatives.

c. **Inventory Management and Standardization**.

GIP is the management system that identifies candidates for standardization, tracks and promotes compliance, generates usage/cost reports and provides a mechanism to evaluate vendor delivery performance. There are standard reports available in GIP that will be used at the VISN and National level. Local unique reports may be developed through use of Fileman routines for internal use. ***Note:*** *Contact your Information Technology (IT) staff for Fileman assistance.* Users can identify inventory items that must be used/exchanged to facilitate introduction of standardized items. GIP includes delivery locations that will be helpful when planning new product in-service training.

d. **Inventory Management and Purchase Cards.** Purchase cards can be an excellent payment tool that can lead to efficiencies in managing inventory programs. Purchase card users must use "detailed" IFCAP transactions when purchasing all recurring inventory items, as specified in VHA Directive 1730, Use and Management of the Government Purchase Card Program. Use of the item file, bar coding, auto-generate option and detailed orders blends the efficiency of GIP with the purchase card system. The Purchase Card Coordinator at each facility is responsible for training purchase card users.

e. **IRM and Finance Involvement**. The assistance of the Information Resource Manger (IRM) and Chief Fiscal Officer (CFO) at each facility is necessary to implement and maintain the automated inventory system.

(1) The IT equipment and software requirements must be planned in coordination with the overall facility IT plan. The IRM manager will need to understand the inventory management plan and implementation schedule. Keep the IRM manager informed of changing requirements, technology advancements, software releases and replacement needs.

(2) The GIP implementation plan must include assignment of menu options. The inventory manager, inventory technician, purchasing agent, control point clerk, etc., may all have access to different menus. You must determine which menus are needed and work with IRM to see that menus are assigned to appropriate staff. Refer to the official IFCAP GIP manual for specific details. A current electronic copy of the manual will be provided to all participants of the "train-the-trainer" sessions.

(3) The CFO is charged with overall management of financial resources. The management of inventories is a process that saves recurring resources. It is imperative that the CFO be involved during development of inventory managements plans. The CFO will be interested in the data that becomes available through effective use of GIP. The CFO can provide valuable support in efforts to improve fund control management. The inventory manager works with the accounting staff to provide monthly/quarterly cost reports and budget projections to the local CFO and customers. The exchange of information improves the value of the inventory management program and assists the CFO with budget decisions.

7. TRAINING PROGRAM

a. **Train the Trainer**. Sessions will be conducted by the VHA Logistics Office and OA&MM to train staff from each network in use of GIP, basic inventory management practices and small purchasing regulations (up to $25,000), so that they can return to their network and train others on the information provided. Training will include a comprehensive course on inventory management principles, the VHA Standardization Program, and all related directives and handbooks. Trainees will be provided with all training materials and course content necessary to conduct VISN-level training for all employees involved in the Inventory Management process. This training will be repeated as necessary to address new inventory tools, regulations, practices or processes (i.e., IFCAP Version 5.1, Core FLS).

b. **VISN-Level Training**. The training teams trained at the above sessions will be responsible for conducting VISN-level training based on the criteria provided to them. This training will be completed within 60 days after completion of the train-the-trainer sessions. Records will be maintained of training completed and will be reported to their VISN CLO. They will be considered the network experts for Inventory Management and will provide on-going support to all of the facilities in their network. This includes troubleshooting (help-desk) services, initiation support of new inventory accounts, monitoring compliance with this directive, and reporting accomplishments to their VISN CLO.

c. **Facility-Level Training**. Inventory Management staff at the facility are responsible for educating users regarding the inventory management process as it relates to them. The users need to understand what exactly GIP is, how it works, why it will make them more efficient, what their responsibilities are, how they can help make the implementation go smoothly. For example, users will need to provide input on usage, which will ultimately be used to set the stock levels in GIP.

d. **Remote Access**. In order for VISN GIP Training Team members to provide assistance during initial set-up of GIP accounts and on-going online help-desk support, they will need remote access to IFCAP databases at each facility in their network. They need access to the following menus and accounts:

(1) Item Master File.

(2) Vendor File.

(3) Warehouse Menu and Option Layout.

(4) Primary Inventory Point Main Menu.

(5) Secondary Inventory Point Main Menu.

(6) All Primary Inventory Accounts.

(7) All Secondary Inventory Accounts.

Access will be gained by each Team member submitting a System Access Request, approved by their network CLO, to each facility Chief IRM through the facility Chief A&MMS (or similar position) and IFCAP Coordinator, requesting access to the above menus and accounts.

8. REPORTING REQUIREMENTS

a. Facility Level Performance Management/Benchmarking Reports:

(1) Inventory Management Benchmark Data.

(a) Purpose. To measure the impact of mandatory use of GIP on days stock on hand, turnover rate, inventory balance, cost of sales, and line items issued.

(b) Format. Use the Excel documented titled "Inventory Management Benchmark Data", Attachment B, to report all data.

(c) Source of data. Use GIP Stock Status Reports as the source document for data. Run this report at the end of each month. Divide 365 days by the turnover rate for the 1412 account in the Supply Fund warehouse inventory. Divide 365 days by the turnover rate for the total inventory of each primary that has supplies. Record days stock on hand for each inventory for each month of the quarter.

(d) Inventories. The Excel document divides the data into three types of inventories as described below:

SF 1412 ACCOUNT - This term refers to the 1412 account of a supply fund (36X4537) inventory. It is financed by non-appropriated money. Typically, it includes medical/surgical supplies or Account Code 2 items contained in a warehouse.

SPD PRIMARY - This term refers to a GIP primary inventory maintained or controlled by SPD. It is financed by appropriated medical care dollars. Items are mostly medical/surgical supplies distributed to surgery, intensive care units, wards, clinics, and other clinical departments.

OTHER PRIMARY - This term refers to GIP primary inventories other than those controlled by SPD. It also includes the "SUPER PRIMARY" model used in VISN 20 wherein a single large primary inventory supports an entire medical center in lieu of a supply fund warehouse.

(e) Data Fields. Each type of inventory has five columns. VAMCs/VISNs must enter data in three of the five fields as described below.

SALES - Cost of sales. Defined as the dollar value of sales or issues for a specific month from the Stock Status Report. Enter a figure.

INV BAL - Inventory balance. Defined as the closing inventory balance from the Stock Status Report. Enter a figure.

TURNS - Turnover rate. Defined as the sales for the current month x 12 months divided by the inventory balance for the current month. No data entry required as it will be calculated automatically using the aforementioned formula.

ON HAND - Number of days stock on hand. Defined as 365 days divided by the turnover rate. No data entry required as it will be calculated automatically using the aforementioned formula.

ISSUES - Line items issued. Defined as the number of line items issued for a specific month as shown on the Stock Status Report. Enter a figure.

(f) Collected by. CLO for each facility in the VISN.

(g) How often. Quarterly (3 months of data)

(h) Send to. VISN Logistics Office (176)

(i) Report by. 10 workdays after EOQ.

(j) For period. Previous quarter.

(2) Medical/Surgical Supply Costs per Unique SSN.

(a) Purpose. Measure the impact of the mandatory use of GIP on Medical/Surgical supply costs per unique SSN.

(b) What is Measured**.** Medical/Surgical supply costs (defined as BOC 2632) per unique SSN adjusted by facility workload (ARC FACWORK).

(c) Source of Data**.** FMS for BOC data. ARC Unit Cost Report 2, column 4 for unique SSNs adjusted by facility workload.

(d) Collected By**.** CLO for each facility in the VISN.

(e) How Often**.** Annually.

(f) Send To. VHA Logistics Office (176).

(g) Report By. December 31.

(h) For Period. Previous Fiscal Year.

(i) Remarks. Report used by IG in audit of Medical/Surgical supply inventories.

b. **Network-Level Reports**.

(1) CLO is responsible for the collection and submission of all reports for facilities within their network to VHA Logistics Office (176) through the Network Director.

(2) CLO monitors Inventory Management staffing levels at all facilities within their network.

(3) CLO prepares quarterly reports on the implementation progress and forwards through the Network Director to the VHA Logistics Office (176) (See Attachment C). Reports are due 10 workdays after the end of each quarter, commencing the first full quarter after implementation begins.

(4) Networks not completing implementation plans within the 12-month implementation period will be required to provide a new implementation plan to the VHA Logistics Office (176) that shows corrective action, at least 30 days prior to the end of this period.

c. **Headquarters Responsibilities**.

(1) The VHA Logistics Office (176), being charged with performance measurement of inventory management in VHA, will determine benchmarking criteria and compliance reporting measures to be used by VHA facilities.

(2) VHA Logistics Office (176) will provide a quarterly summary of progress made on implementation of this handbook to the Chief Network Office (10N) within 15 days after the end of each quarter.

9. EXCEPTIONS

a. **Prosthetics**. One of the exceptions to the use of GIP is Prosthetics Service. Prosthetics items for direct issue to beneficiaries are subject to specified variances from mandatory source requirements, as outlined in VHA Directive 98-021, Availability of Medical and Surgical Supply Products or Spinal Cord Injury Patients. Prosthetics field facilities have been mandated to use the prosthetic inventory package (PIP) in the VISTA software for management of inventory control. This software does not capture certain data elements that may be useful for recurring stock items in Prosthetics Service, such as line item inventory count and dollar value, days of stock on hand, and monthly usage. These data elements may be captured through GIP, whereby the items incorporated into PIP are acquired through GIP. This is accomplished by "receiving" the items procured through GIP into PIP. Staffing utilization may suggest that GIP be used in combination with PIP. It is intended that functionality available in PIP will be incorporated in the new Core FLS program.

b. **Nutrition and Food Service**. Inventory requirements for Nutrition and Food Service subsistence items are determined and fulfilled through the proprietary software provided by the Subsistence Prime Vendor Contractor. It is utilized by all VA Medical Centers in VHA. Because of the unique storage requirements and shelf life of subsistence items, an excess of inventory levels is not as much of a problem as it is in most of the other areas of a medical center. Consequently, it was determined to be unnecessary to mandate the use of GIP for subsistence items. However, it is expected that other non-food supplies stocked in Nutrition and Food Service areas will be kept in a GIP Inventory account, as prescribed by this handbook.

c. **Pharmacy**. Pharmaceuticals are purchased through a Prime Vendor contract on a proprietary ordering system, consequently it has been determined that use of IFCAP and GIP for placing orders would cause duplication of work. Instead, all facilities will be directed to use a sophisticated inventory management system that works in conjunction with VHA's

pharmaceutical prime vendor order entry software. This inventory management system provides the tools to monitor buying patterns, maintain appropriate inventory levels and increase productivity of inventory control staff members. It also has the capability to identify the optimum order amount for each pharmaceutical product. An initial 10-day inventory level goal will be established for pharmaceuticals.

ATTACHMENT A-1

INSTRUCTION SHEET

The below step-by-step instructions are provided to assist in obtaining information required by the GIP Survey

1. Line Items**:**

Primary Inventory Point Main Menu:
Primary Inventory Point: **Enter Primary Title**
Enter/Edit Inventory and Distribution Points
Select a "Primary" type Inventory Point: **Enter Primary Title**

NOTE: You will see the total number of line items in the upper right hand corner of your screen.
Select Items(s): **Enter PL**

NOTE: This will give you a listing of all your Secondary Distribution Points for this Primary Inventory

1. Average Closing Balance:

Primary Inventory Main Menu:
Primary Inventory Point: **Enter Primary Title**
Reports Menu
Stock Status Report
Print Stock Status report for Month and Year: **Enter desired month and year**

NOTE: Print report for each month for the past 12-month period. Total the closing balances and divide by 12 to compute the average closing balance.

2. Annual Sales:

Primary Inventory Main Menu:
Primary Inventory Point: **Enter Primary Title**
Reports Menu
History of Distribution Report
Default to From//
Start Printing Distribution from Date (Month Year): **Enter Beginning Date**
End Printing Distribution with Date (Month Year): **Enter Ending Date**
Do you want to breakout the cost by MIS costing section:
Default to Yes//

PART I, PRIMARY INVENTORIES

All questions in this part pertain to your unposted primary inventories. Please respond with information that specifically relates to your primary inventories only. **If your primary inventories are supported by the Supply Fund please report the information under Part II.**

1. Do you have your primary line items entered into the IFCAP item file?
   a. All_____
   b. 75%_____
   c. 50%_____
   d. None_____

2. Do you use bar code scanning to replenish your secondaries/delivery points?
   a. All_____
   b. 75%_____
   c. 50%_____
   d. None____

3. Do you use automated supply dispensers (Omnicell/Pyxis) to replenish any of your secondaries/delivery points?
   a. <50%_____
   b. 25%_____
   c. 10%_____
   d. None_____

4. If you do not use GIP what other software or tracking system do you use to manage your inventory and your issues? Explain in detail.

5. If you do not use GIP, why not? Explain barriers, problems, better alternatives, etc.

6. Please fill out SPREADSHEET #1, PRIMARY INVENTORY to answer the rest of the questions concerning your primary inventories. You should complete a separate spreadsheet for each primary that you manage.

PART II, POSTED STOCK INVENTORY

This section is for the Supply Fund supported posted stock.

1. Do you have all of your inventory line items entered into the IFCAP item file?
   a. All_____
   b. 75%_____
   c. 50%_____
   d. None_____

2. Do you use bar code scanning to replenish your primaries/delivery points?
   a. All_____
   b. 75%_____
   c. 50%_____
   d. None_____

3. How many dollars in annual sales are issued to SPD?_____

4. If you do not use GIP what other software or tracking system do you use to manage your inventory and your issues? Explain in detail.

5. If you do not use GIP, why not? Explain barriers, problems, better alternatives, etc.

6. Please fill out SPREADSHEET #2, POSTED STOCK INVENTORY to answer the rest of the questions concerning your Posted Stock inventory.

SPREADSHEET #1, PRIMARY INVENTORIES FUNDED BY SUPPLY FUND				
PRIMARY NAME	**LINE ITEMS**	**AVERAGE CLOSING BALANCE**	**SECONDARY/DISTRIBUTION POINT**	**ANNUAL SALES**
		(LAST 12 MONTHS)	(INCLUDE ALL SECONDARIES)	
DO YOU CONTROL THE FUNDS FOR THIS PRIMARY?		**SAMPLE**		
YES , NO				
TOTALS	0	0		

SPREADSHEET #2, POSTED STOCK		
LINE ITEMS		
AVERAGE CLOSING BALANCE		
ANNUAL SALES		
1411		
1412		
1413		
1432		
ALL DELIVER POINTS/ISSUE BOOKS	**LINE ITEMS**	

INVENTORY MANAGEMENT BENCHMARK DATA

			SF 1412 ACCOUNT					SPD PRIMARY				
VISN #	FACILITY/ #	DATE	SALES	INV BAL	TURNS	ON HAND	ISSUES	SALES	INV BAL	TURNS	ON HAND	ISSUES

SAMPLE

SERVICE	FCP	Value of Primary	DATE	BARRIERS/ISSUES/COMMENTS	
BOISE - JOSIE CONWAY 208-422-1142					
MANAGED INVENTORY	200	$123,070	Apr-99	May need to reclassify one position.	**COMPLETED NOW MANAGED INVENTORY**
PLAMS (LAB)	028	$18,000	Apr-00	Support from Fiscal to make control point changes.	
RESPIRATORY	051	$11,250	Jul-99	Service cooperation in transition to GIP.	**COMPLETED NOW MANAGED INVENTORY**
SURGICAL STOCK	042	$62,300	Jul-99	Service cooperation in transferring funding to GIP FCP.	**COMPLETED NOW MANAGED INVENTORY**
PHARMACY MED/SURG	024/025	$23,500	Apr-99	Construction changes in warehouse to accommodate Medical/Surgical item.	**COMPLETED NOW MANAGED INVENTORY**
N&FS	120	$1,200	Nov-99		
RADIOLOGY	037	$26,812	Nov-99		
DENTAL	058	$4,061	Nov-99		
		$270,193			
PORTLAND – GLORIA MARANGE 700-424-5295					
JANITORIAL	08		Apr-99	NEED TO MODIFY ORGANIZATIONAL STRUCTURE	**Will be implemented Oct 1999**
LINENS	10		Apr-99		
OPERATING ROOM	52		Oct-99	SPACE MAY BE AN ISSUE	
SURGICAL SUPP	54		Oct-99		
ANESTHESIA	56		Oct-99	SOME FTEE MAY BE NEEDED	
MEDICAL MEDIA	70		Jan-00		
AUDIOLOGY	75		Jan-00		
NEUROLOGY	50		Jan-00		
DERMATOLOGY	43		Jan-00		
ENGINEERING	00		Jul-00		
M&R SUPPLIES	98		Jul-00		
M&R NON-REC	96		Jul-00		
FURNITURE	07		Oct-00		
NO MED M&R	95		Oct-00		